

Universal Service Fund

Long Term, Comprehensive High-Cost
Universal Service Fund Reform



Iowa
Telecommunications
Association



Iowa Telecommunications Association

- USA's largest & 2nd oldest state telecom association
 - 142 ILECs, 6 CLECs, and 1 CEA Provider
 - Not Qwest or Iowa Telecom
- Serve rural LECs in Iowa
- All ITA members deploy broadband, many to 100% of their customers
- All ITA members receive high-cost USF funding



ITA Delegation

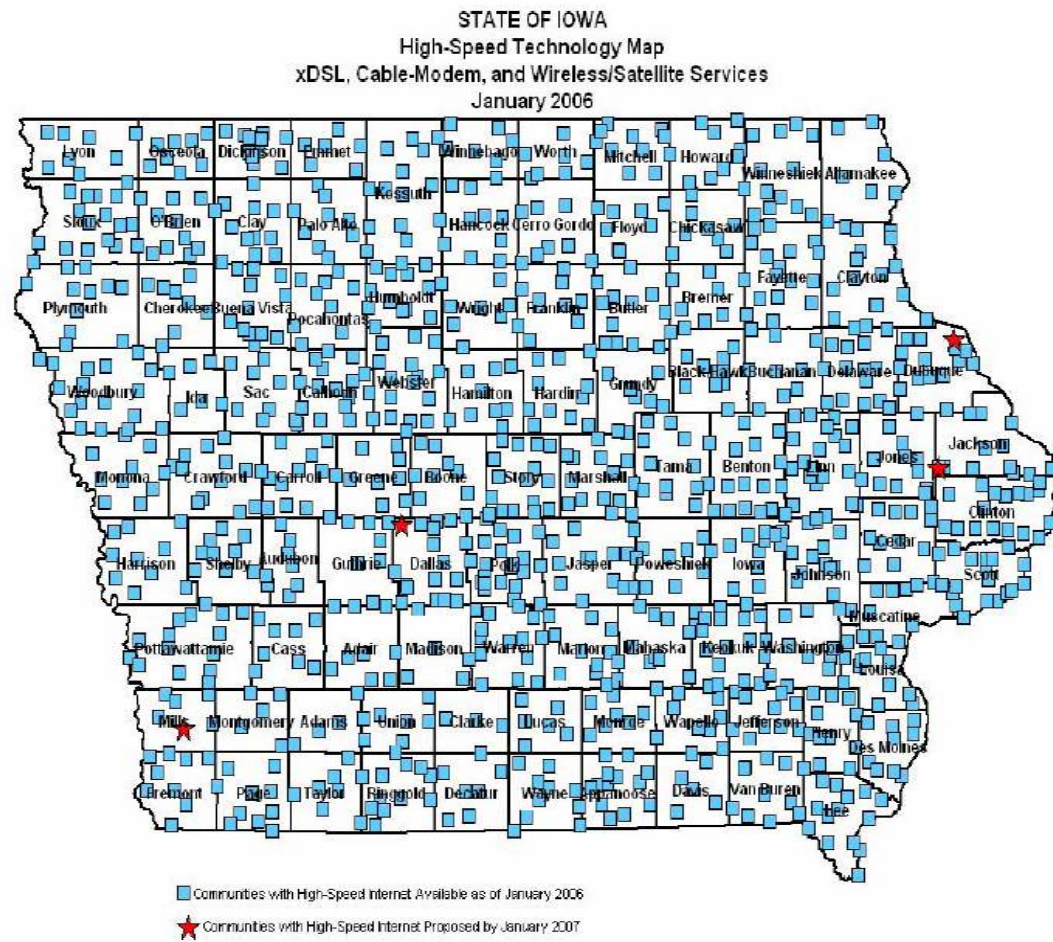
- **Roger Kregel**, Manager, Dumont Telephone Company, Dumont Iowa
- **Janell Hansen**, Manager, Marne Elk Horn Telephone Company, Elk Horn, Iowa
- **Ron Laudner**, CEO, OmniTel Communications, Nora Springs, Iowa
- **Doug Boone**, CEO, Premier Communications, Sioux Center, Iowa
- **Jerry Melick**, Manager, Liberty Communications, West Liberty, Iowa
- **Butch Rebman**, President, Central Scott Telephone Company, Eldridge, Iowa
- **Pat McGowan**, Director of Business Development, Interstate Communications, Truro, Iowa
- **Dave Duncan**, President, Iowa Telecommunications Association
- **Stefani Millie**, Director of Government Affairs, Iowa Telecommunications Association

Broadband Availability in Iowa

- **Iowa is ranked #1 in USA** in broadband providers with 233
- 92.9% of Iowa communities have access to one or more types of high-speed Internet technology
 - 1,144 out of 1,231 Iowa communities

Source: Iowa Utilities Board Report (January 1, 2006) "Assessing High-Speed Internet Access in the State of Iowa: Fifth Assessment"

Note: map does not demonstrate extent of deployment to rural areas beyond city limits





“Reverse Digital Divide” Favors Rural Iowans

2006 Broadband Deployment

- **95.3%** of rural communities have high-speed Internet access
Rural communities -- those with < 2,500 people
- **84.3%** of non-rural communities have high-speed Internet access

Broadband Deployment Growth

- **2004** – 71.3 % of Iowa communities had access to high-speed Internet technology
 - 72.6 % rural, 72.9% non-rural
- **2000** – 31% of Iowa communities had access to high-speed Internet
 - 28% rural, 41.7% non-rural

Source: Iowa Utilities Board Report (January 1, 2006) “Assessing High-Speed Internet Access in the State of Iowa: Fifth Assessment”



Broadband Deployment

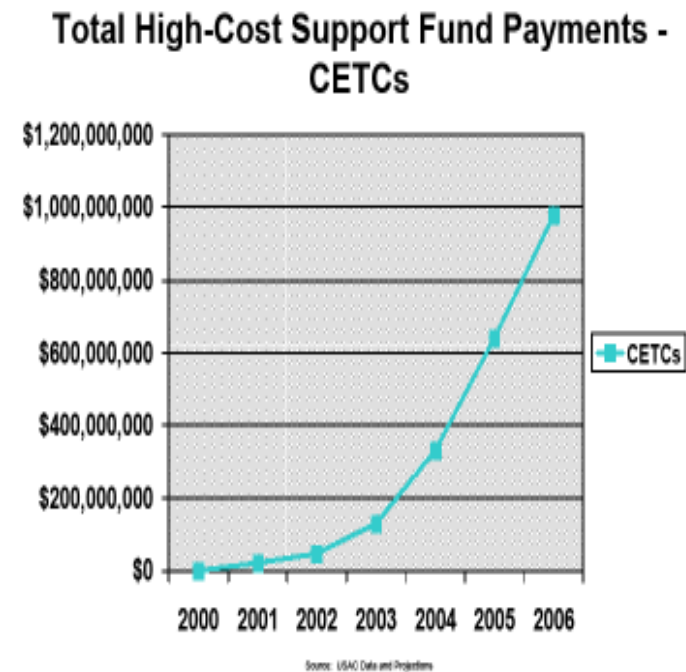
- DSL available in 85% of Iowa communities
- High-speed cable modems available in 31.6% of Iowa communities
- Wireless & Satellite available in 52.1% of Iowa communities
- Competition – By Jan. 2006, 62.3% of Iowa communities had two or more high-speed internet providers
 - 58.2% rural, 64.6% non-rural

Source: Iowa Utilities Board Report (January 1, 2006) “Assessing High-Speed Internet Access in the State of Iowa: Fifth Assessment”

Making the HCLS Fund Stable and Predictable

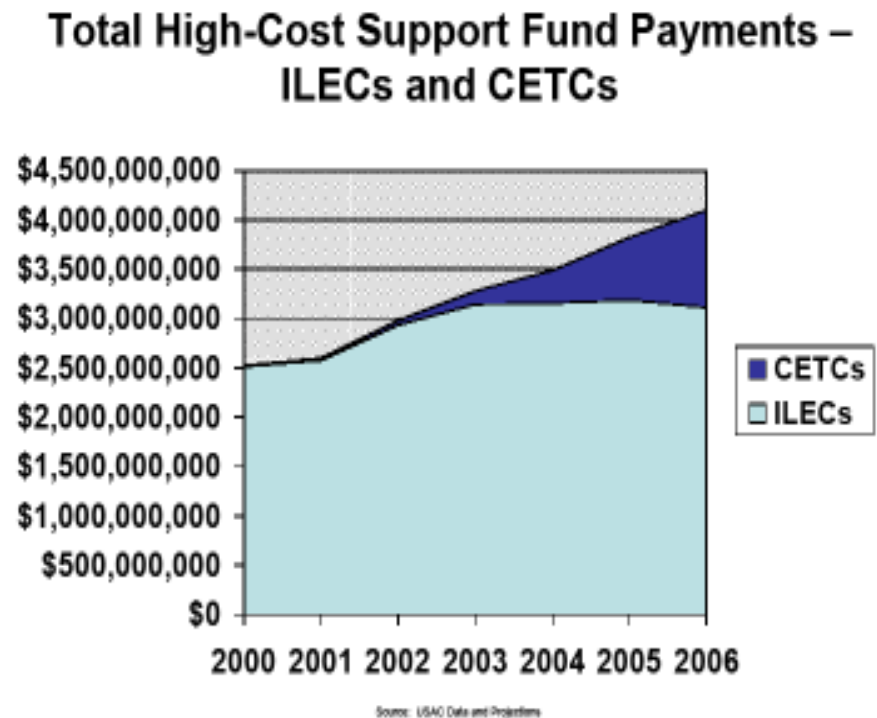
Step 1: CETC Cap

- Targets the Source of Explosive Growth
 - CETC Payments growing at a trend rate of 101% per year since 2002 (source: Opening remarks of Kevin Martin to Joint Board on USF, 2-20-07)



CETC Cap is Equitable and Justified

- ILEC HCLS growth has leveled off and decreased slightly
- Since July 2001, ILECs have forgone over \$2.5 billion in federal high cost support (source: 4-10-07 ex parte filed by OPASTCO)





A CETC Cap Will Work

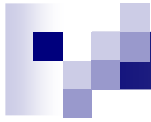
- Easy to implement
- Will not adversely impact rural customers
- Allows States flexibility
- Prevents rush to designate ETCs



Making the HCLS Fund Stable and Predictable

Step 2: Eliminate Identical Support

- Causes unnecessary expansion of High Cost Fund
- Not competitively neutral to have equal support for carriers with differences in service area coverage, service quality, and regulatory requirements.
- Payments should be based on carrier's own costs
- Don't use high cost funding to subsidize competition in high cost areas



USF Reform

Step 3: Include Broadband

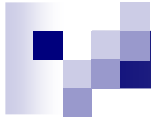
- “Our universal service program must continue to promote investment in rural America’s infrastructure and ensure access to telecommunications services that are comparable to those available in urban areas today, as well as provide a platform for delivery of advanced services tomorrow.”
- Broadband is a key driver of economic growth and broadband technologies support services essential to education, public health and safety”

(Statement of Chairman Martin to Federal State Joint Board on Universal Service, Feb 20, 2007)



Conclusion

- Public policy goals of USF remain paramount
 - Access to quality advanced telecommunications and information services for all Americans
 - Comparable services and rates for rural and urban consumers
- Reform of USF starts with interim step of capping CETC payments
- Focus on reforms that pinpoint the root cause of unnecessary growth in the rural High-Cost program
- Avoid recommendations that jeopardize the continued provision of universal service to consumers in rural service areas
- Promote Broadband Deployment



Questions?

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